

Approaches to Internal Controls

The Company enhances and implements its internal controls in accordance with its "Basic Policies Regarding Internal Control Systems." At the same time, it has established basic policies for internal controls within the Group that set forth specific activities related to internal controls so that the internal control policies permeate throughout the Group as a whole. In particular, it has set the following

as key themes for internal controls: 1) compliance, 2) risk management, 3) information security, and 4) enhancing internal audits. Furthermore, the Group Internal Control Committee, chaired by the President and Representative Director, encourages the improvement of internal controls in the Group as a whole and implements and evaluates their progress on an ongoing basis.

Approaches to Compliance

The Company has set its basic direction on CSR, compliance rules, and other internal rules and regulations to strengthen its compliance-related systems to implement measures in order to prevent illegal activities from occurring. It has also established a whistle-blowing system within the Group and whistle-blowing hotlines to detect and remediate such illegal activities at an early juncture and raise awareness of legal compliance within the Group as a whole.

Furthermore, a Group Compliance Committee has been established. Its functions are to understand issues related to compliance, discuss countermeasures, boost awareness in executives, deliberate and demand corrective action regarding items raised by whistle-blowers, deliberate and decide on measures to prevent recurrence of incidents, and manage the progress in implementation of such countermeasures.

Approaches to Risk Management

The Company has established its Risk Management Policies to strengthen its risk management structure. The Company and its Group companies have segmented its risks into hazard risk, operational risk, financial risk, and strategic risk. It has established a risk management structure and structure for accountability for each of these risks

should they materialize. The Group Risk Management Committee has been established to identify and mitigate risks affecting the Group as whole. The committee formulates risk management policies for the Group as a whole and confirms the status of risk mitigation measures.

Approaches to Information Security

The Company has established the Group Information Security Policy and Group Information Security Promotion rules. It has also established management systems to respond to a variety of information security risks affecting the Group as a whole. Appropriate measures are taken based on risk assessments to protect against the loss of information assets, accidents, disasters, criminal activities, and all other threats.

A Group Security Committee was established to make this management system a reality. The committee formulates plans to promote measures to enhance information security, understand the status of implementation of information security measures, and to play a supervisory role for implementing measures when security incidents occur and for the status of improvement when proposals are made to prevent the recurrence of such incidents.

Approaches to Internal Audits

Audits are implemented in accordance with the internal audit plan at each of the Company's business units and at TIS INTEC Group companies without internal audit divisions. In addition, the Company makes necessary recom-

mendations and follows up on corrective action plans based on audit findings. Furthermore, sharing information among the internal audit divisions within the TIS INTEC Group's companies raises the quality of its audits.

As of March 31, 2016, the Group mainly comprised parent company IT Holdings Corporation ("ITHD" or "the Company") and 46 consolidated subsidiaries, including principal companies TIS Inc., INTEC Inc., AGREX INC., QUALICA INC. and AJS Inc., and 37 companies accounted for by the equity method.\*

Through additional acquisition of shares, KOUSHIN INC., and MicroMates Corp., fall under the scope of consolidation from fiscal 2016.

\* Effective July 1, 2016, wholly owned subsidiary TIS, Inc., was merged into ITHD, which then transitioned into an operating holding company. Paralleling this shift, the name of the Company changed to TIS, Inc..

Profit and Loss Analysis

Net Sales

Net sales rose 6.0% from fiscal 2015, to ¥382,689 million, as the Group accurately grasped the IT investment needs of its customers in areas where IT investment is growing.

(A breakdown of performance by business segment is presented on page 21~22 under "Group Business Summary".)

Sales and Income by Business Segment		Millions of yen	
(Years ended March 31)	Fiscal 2016	Fiscal 2015	% change
<b>Net sales</b>	<b>¥382,689</b>	¥361,025	+6.0%
IT infrastructure services	125,929	118,200	+6.5
Financial IT services	79,519	79,543	-0.0
Industrial IT services	180,000	166,357	+8.2
Other business	16,095	14,667	+9.7
Intersegment elimination/adjustments	(18,855)	(17,742)	—
<b>Operating income</b>	<b>24,436</b>	21,121	+15.7
IT infrastructure services	8,924	7,179	+24.3
Financial IT services	3,361	5,549	-39.4
Industrial IT services	9,972	7,049	+41.5
Other business	2,649	2,159	+22.7
Intersegment elimination/adjustments	(471)	(816)	—

Note : Sales by segment in the above chart exclude intersegment sales.

Segment Business Content

<b>IT Infrastructure Services</b>	Provide self-administered computer utility or system operation services through large IT facilities, including data centers.
<b>Financial IT Services</b>	Support clients in their efforts to make greater use of IT in their operations and in the execution of their business activities with IT expertise and business know-how specific to the finance industry.
<b>Industrial IT Services</b>	Support clients in their efforts to make greater use of IT in their operations and in the execution of their business activities with IT expertise and business know-how in areas other than finance, namely industrial and public sectors.
<b>Others</b>	Activities other than those described above.

Expenses and Earnings

The higher sales starting point and successful efforts to boost profitability neutralized the effects of tighter IT investment budgets and reduced scale of business among some existing clients, absorbing the impact of unprofitable projects. Operating income increased 15.7%, to ¥24,436 million. Recurring profit expanded 15.4%, to ¥24,521 million. Net income attributable to owners of the parent company jumped 23.4%, to ¥12,678 million.

For fiscal 2016, the Company posted extraordinary income

of ¥18.6 billion and an extraordinary loss of ¥21.3 billion, most of which was recognized in the second quarter. In the second quarter, the Company recorded a gain on sale of investment securities of ¥16.0 billion in conjunction with the sale of a portion of its investment securities to improve the efficiency of held assets and bolster the financial structure. Additionally, in conjunction with a decision to review future strategy for data center operations, the Company recorded an impairment loss of ¥14.3 billion related to some of its data centers.

(Years ended March 31)	Millions of yen		
	Fiscal 2016	Fiscal 2015	% change
Net sales	<b>¥382,689</b>	¥361,025	+6.0%
Cost of sales	<b>312,153</b>	294,927	+5.8%
Cost of sales ratio	<b>81.6%</b>	81.7%	-0.1 point
Gross profit	<b>70,535</b>	66,097	+6.7%
Gross profit margin	<b>18.4%</b>	18.3%	+0.1 point
Selling general and administrative expenses	<b>46,099</b>	44,976	+2.5%
Ratio of selling, general and administrative expenses to net sales	<b>12.0%</b>	12.5%	-0.5 point
Operating income	<b>24,436</b>	21,121	+15.7%
Operating income ratio	<b>6.4%</b>	5.9%	+0.5 point
Recurring profits	<b>24,521</b>	21,251	+15.4%
Recurring profits ratio	<b>6.4%</b>	5.9%	+0.5 point
Net income attributable to owners of the parent company	<b>12,678</b>	10,275	+23.4%
Net income attributable to owners of the parent company as a percentage of net sales	<b>3.3%</b>	2.8%	+0.5 point

Financial Position

Assets, Liabilities and Net Assets

Total assets stood at ¥336,495 million at the end of March 2016, down 2.7%, from a year earlier. Current assets accounted for ¥166,666 million, up 18.7%, and fixed assets accounted for ¥169,828 million, down 17.3%. Liabilities came to ¥155,955 million, down 0.7%, and net assets were

¥180,539 million, down 4.4%. Equity capital, derived by subtracting non-controlling interests of ¥3,990 million from net assets, dropped 4.3% year-on-year, to ¥176,549 million, pushing the equity ratio to 52.5%, down 0.8 point.

(As of March 31)	Millions of yen		
	Fiscal 2016	Fiscal 2015	% change
Total assets	<b>¥336,495</b>	¥345,851	-2.7%
Total liabilities	<b>155,955</b>	157,062	-0.7
Net assets	<b>180,539</b>	188,789	-4.4
Non-controlling interests	<b>3,990</b>	4,388	-9.1
Equity capital	<b>176,549</b>	184,400	-4.3
<b>Key ratios</b>	<b>%</b>		
Equity ratio (*1)	<b>52.5%</b>	53.3%	-0.8 points
Return on equity (*2)	<b>7.0</b>	6.0	+1.0 points

Notes: 1. Equity ratio = (Equity capital / Total assets) x 100

2. Return on equity = Net income / Equity capital [(equity capital at the beginning of the term + equity capital at the end of term) / 2] x 100

Cash Flow Status

Cash and cash equivalents ("cash") totaled ¥48,651 million, as of March 31, 2016, up 65.0%, from a year earlier.

Net cash provided by operating activities: Operating activities generated net cash of ¥25,496 million, up 11.2% from a year ago. This mainly reflects income before income taxes of ¥21,817 million and the positive cash flow effect of ¥11,952 million in depreciation, which offset a ¥4,470 million increase in notes and accounts receivable and ¥5,762 million in income taxes paid.

Net cash provided by investing activities: Investing activities generated net cash of ¥8,688 million. In fiscal 2015, the Company recorded net cash used in investing activities of

¥17,744 million. This is largely due to an inflow of ¥24,504 million in proceeds from sale and redemption of marketable securities, which overshadowed ¥4,697 million in payments for the acquisitions of property and equipment, ¥5,073 million for the acquisitions of investment securities and ¥6,633 million for the acquisition of intangible assets.

Net cash used in financing activities: Financing activities used net cash of ¥14,979 million, down 21.5% from a year ago. Cash inflow of ¥5,012 million in proceeds from long-term debt was outweighed by outflows of ¥12,862 million for repayments of long-term debt, ¥2,711 million for dividends paid, and ¥1,610 million for purchase of treasury stock.

(As of March 31)	Millions of yen		
	Fiscal 2016	Fiscal 2015	% change
Cash and cash equivalents at end of year	<b>¥48,651</b>	¥29,485	+65.0%
Net cash provided by operating activities	<b>25,496</b>	22,938	+11.2
Net cash provided by (used in) investing activities	<b>8,688</b>	(17,744)	—
Net cash used in financing activities	<b>(14,979)</b>	(19,067)	-21.5

## Dividend Policy

The Company's basic policy has been to ensure a stable dividend based on performance trends while ensuring a suitable level of internal reserves to underpin business growth from a medium- to long-term management perspective. Guided by this policy, the Company is from fiscal 2016 targeting a total return ratio of about 35%, which includes share buybacks as well as dividends.

For fiscal 2016, the Company paid an annual dividend of ¥33 per share, including an interim dividend of ¥11 million, and acquired treasury stock of ¥1,599 million (540,400 shares). As a result, the total return ratio at fiscal year-end was 35.3%. For fiscal 2017, management intends to distribute an annual dividend of ¥36 per share, including an interim dividend of ¥12 per share, and will pursue share buyback activities\*.

\*The Company acquired treasury stock of ¥2,099 million (834,900 shares) from May to June 2016.

(For the years ended March 31)	Millions of yen		
	Fiscal 2016	Fiscal 2015	% change
<b>Per share data</b>			
Net income per share	<b>¥ 145.22</b>	¥ 117.40	+23.7%
Net assets per share	<b>2,031.07</b>	2,108.19	-3.7%
Dividend per share	<b>33.00</b>	30.00	+10.0%
Payout ratio	<b>22.7%</b>	25.6%	-2.9 points
Total return ratio	<b>35.3%</b>	30.4%	+4.9 points

## Consolidated Performance Forecast for Fiscal Year Ending March 31, 2017 (Consolidated) (announced on May 10, 2016)

The Company remains committed to efforts aimed at expanding business by responding accurately to clients' IT investment needs and by steadily executing big projects. In addition, the Company will roll out profit-improvement measures, including steps to boost productivity and reduce the number of unprofitable projects, which should fuel year-on-year increases in sales and income.

<b>Net sales</b>	<b>¥390,000 million</b>	<b>+1.9% year on year</b>
<b>Operating income</b>	<b>¥26,500 million</b>	<b>+8.4% year on year</b>
<b>Recurring profit</b>	<b>¥26,000 million</b>	<b>+6.0% year on year</b>
<b>Net income attributable to owners of the parent company</b>	<b>¥15,000 million</b>	<b>+18.3% year on year</b>

Note: Forward-looking statements, including the above performance forecast, are based on information available to management at the time of preparation and certain assumptions that management believes to be reasonable. Such statements are not guarantees of future performance. Actual performance and other achievements may differ considerably from expectations due to various factors.

## Business Risks

Risks with the potential to significantly impact the operations—business results and financial position—of the Group are described below. Note that forward-looking statements mentioned in these materials are based on information available to management as of June 27, 2016.

### Price wars and heightened competition

In the information services industry, competition among sectors is fierce and the situation is further exacerbated by such challenges as the increasing entry of companies from other industries into our industry. In addition, clients are cutting back on IT investment. These factors could fuel price wars. Within the TIS INTEC Group, we seek to distinguish ourselves from our competitors, primarily by adding greater value to the information services we provide, and we also work to improve productivity. However, if price wars erupt beyond the scope we have anticipated, our business results could be adversely affected.

### Legal system and compliance

Group companies pursue respective business activities in line with prevailing laws and regulations in Japan and overseas. In developing these activities, each company establishes a compliance system, in accordance with the TIS INTEC Group's basic policy on CSR, and strives to ensure thorough legal compliance. However, if a law is broken or if additional laws or regulations are put into force, the Group's business activities and business results could be adversely affected.

### Overseas business

As part of its growth strategy, TIS seeks to expand the Group's presence overseas, especially in the ASEAN (Association of Southeast Asian Nations) region. Various factors can have an impact on activities abroad, including legal restrictions, particularly regulations pertaining to investment and competition, as well as business customs and labor-management relations. If these risks appear, the Group's business results could be adversely affected.

### System development

The TIS INTEC Group is involved in contract system development services and information systems for client companies. In the development of systems that are increasingly larger in scale and on shorter delivery schedules, costs could rise significantly beyond the estimate if quality cannot be achieved according to plan or a project cannot be completed within the promised timeframe. Also, in system development, certain services are contracted to a number of companies, mainly to secure production capacity, boost production efficiency and utilize external technology, and there is always a chance that these outsourced providers will not meet productivity and quality expectations. Such situations could adversely affect the Group's business results.

### System operation

The TIS INTEC Group offers round-the-clock outsourcing and cloud services 365 days a year through data centers and other large IT facilities. In developing this business, a vast amount of capital is required, from start-up investment through constant upkeep and operation. In addition, utilization of facilities could sink to a conspicuously low level in times of sluggish demand, which could adversely affect business results. Furthermore, if, in providing system operation services, losses are incurred because a client company's system crashes or malfunctions, the Group's reputation for reliability may be tarnished and the brand may lose credibility, and compensation may be required to cover client losses. Such situations could adversely affect the Group's business results.

### Information security

The Group may gain access to confidential information, such as personal information in possession of client companies as well as system technology information belonging to client companies, during the stages of a project running from system development through operation. Efforts are made to properly manage information, in accordance with the TIS INTEC Group Information Security Policy. But if confidential information is leaked, altered or otherwise impacted by such means as a computer virus or unauthorized access, client companies or other relevant parties could demand compensation for damages, and the Group could lose the market's confidence. This could adversely affect the Group's business results.

## Business Risks

### Human resources

The business activities of the Group rely heavily on human resources and are greatly influenced by the Group's ability to keep talented individuals and upgrade their skills to provide specialized, high-value-added services to clients. If the companies of the Group are unable to keep and train individuals with excellent capabilities as planned, the business results of the Group could be adversely affected.

### Technological innovation

In the information services industry, providers must respond quickly to advances in information technology and to changing market needs that parallel these advances. The Group constantly promotes studies and research, with an emphasis on information technology and production and development techniques, to reinforce efforts to respond to market needs. However, in the vast domains of the industry, the pace of technological innovation is lightning fast, and if the Group's responses are not appropriate, its business results could be adversely affected.

### Intellectual property rights

Members of the Group apply for and obtain patents on technologies and business models necessary to conduct business and also register trademarks in Japan and overseas. Business activities are always undertaken with careful attention to prevent third-party infringement of intellectual property rights, but it is possible that Group activities may infringe on the intellectual property rights of other companies and lead to claims for compensation. If that occurs, the business activities and business results of the Group could be significantly impacted.

### Natural disasters

The TIS INTEC Group offers outsourcing and cloud services through data centers and other large IT facilities. These facilities are equipped with various systems and structures to deal with a range of disasters. However, if a power outage that lasting longer than might reasonably be prepared for, a large-scale natural disaster, international disputes, acts of terrorism or serious criminal activity were to interrupt smooth data center operations, the business results of the Group could be adversely affected.

### Securities portfolio

Companies within the Group hold stock to strengthen relationships with suppliers and bonds to utilize surplus capital. When acquiring these marketable securities, efforts are made to pinpoint financial status, performance trends, credit rating and other key factors of the issuer, and thereby ensure investment stability. But obvious changes in the stock market and other securities-related developments could lead to situations, such as losses on the books, which could have an effect on the Group's financial status and its business results.

## Consolidated Financial Statements

### Consolidated Balance Sheets

As of March 31, 2015 and 2016

	Millions of yen	
	Fiscal 2015	Fiscal 2016
<b>Assets</b>		
Current assets		
Cash and deposits	¥ 29,211	¥ 46,741
Notes and accounts receivable	78,874	84,722
Lease receivables and lease investment assets	6,711	6,381
Marketable securities	661	2,201
Merchandise and finished goods	4,552	4,145
Work in process	5,546	5,278
Raw materials and supplies	243	264
Deferred tax assets	6,007	7,161
Other current assets	8,784	9,952
Allowance for doubtful accounts	(143)	(181)
Total current assets	140,450	166,666
Fixed assets		
Property and equipment		
Buildings and structures, net	53,670	38,497
Machinery and equipment, net	4,853	5,433
Land	24,342	22,583
Leased assets, net	3,995	4,092
Other property and equipment, net	4,552	4,623
Total property and equipment	91,413	75,229
Intangible assets		
Goodwill	1,197	724
Other intangible assets	15,555	17,509
Total intangible assets	16,752	18,233
Investments and other assets		
Investment securities	71,256	49,205
Net defined benefit asset	7,028	4,369
Deferred tax assets	5,199	6,558
Other assets	14,034	16,465
Allowance for doubtful accounts	(283)	(234)
Total investments and other assets	97,235	76,365
Total fixed assets	205,401	169,828
Total assets	345,851	336,495

#### Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Financial Instruments and Exchange Act of Japan, and have been prepared in accordance with accounting principles generally accepted in Japan.

## Consolidated Balance Sheets

As of March 31, 2015 and 2016

	Millions of yen	
	Fiscal 2015	Fiscal 2016
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	¥ 21,681	¥ 22,617
Short-term borrowings	12,521	13,069
Income taxes payable	3,140	11,998
Accrued bonuses to directors and employees	11,331	11,860
Other allowances	1,318	3,134
Other current liabilities	27,673	28,827
Total current liabilities	77,666	91,508
Non-current liabilities		
Long-term debt	39,593	31,460
Lease obligations	5,497	6,050
Deferred tax liabilities	10,720	440
Deferred tax liabilities from revaluation of land	663	403
Accrued retirement benefits to directors	90	76
Net defined benefit liability	16,874	18,363
Other non-current liabilities	5,955	7,651
Total non-current liabilities	79,395	64,447
Total liabilities	157,062	155,955
<b>Net assets</b>		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	83,601	82,920
Retained earnings	67,019	77,485
Less treasury stock, at cost	(514)	(2,124)
Total shareholders' equity	160,107	168,282
Accumulated other comprehensive income		
Net unrealized gains on other securities	26,191	13,659
Revaluation of land	(1,898)	(2,375)
Foreign currency translation adjustments	396	125
Remeasurements of defined benefit plans	(397)	(3,141)
Total accumulated other comprehensive income	24,292	8,266
Non-controlling interests	4,388	3,990
Total net assets	188,789	180,539
<b>Total liabilities and net assets</b>	<b>345,851</b>	<b>336,495</b>

## Consolidated Statements of Income

For Years Ended March 31, 2015 and 2016

	Millions of yen	
	Fiscal 2015	Fiscal 2016
<b>Net sales</b>	¥361,025	¥382,689
<b>Cost of sales</b>	294,927	312,153
<b>Gross profit</b>	66,097	70,535
<b>Selling, general and administrative expenses</b>	44,976	46,099
<b>Operating income</b>	21,121	24,436
<b>Non-operating income</b>		
Interest income	74	69
Dividend income	744	1,201
Foreign exchange gains	206	—
Rental income from real estate	265	289
Other	472	541
<b>Total non-operating income</b>	1,762	2,101
<b>Non-operating expenses</b>		
Interest expenses	519	471
Equity in losses of non-consolidated subsidiaries and affiliates	205	157
Foreign exchange losses	—	283
Rent expenses on real estates	238	185
Other	668	919
<b>Total non-operating expenses</b>	1,632	2,016
<b>Recurring profit</b>	21,251	24,521
<b>Extraordinary income</b>		
Gain on sale of investment securities	377	18,374
Gain on termination of retirement benefit plan	59	—
Gain on reversal of stock acquisition rights	58	—
Other	3	267
<b>Total extraordinary income</b>	500	18,641
<b>Extraordinary losses</b>		
Loss on disposal of fixed assets	354	264
Impairment loss	1,566	16,617
Loss on liquidation of business	67	—
Other	1,578	4,463
<b>Total extraordinary losses</b>	3,567	21,344
<b>Income before income taxes and minority interests</b>	18,184	21,817
<b>Income taxes: current</b>	5,417	14,335
<b>Income taxes: deferred</b>	1,865	△5,624
<b>Total income taxes</b>	7,282	8,710
<b>Net income</b>	10,901	13,107
<b>Net income attributable to non-controlling interests</b>	626	429
<b>Net income attributable to owners of the parent company</b>	10,275	12,678

## Consolidated Statements of Comprehensive Income

For Years Ended March 31, 2015 and 2016

	Millions of yen	
	Fiscal 2015	Fiscal 2016
<b>Net income</b>	¥10,901	<b>¥13,107</b>
<b>Other comprehensive income</b>		
Net unrealized gains on other securities	20,239	<b>(12,526)</b>
Revaluation reserve for land	68	<b>22</b>
Foreign currency translation adjustments	379	<b>(295)</b>
Remeasurements of defined benefit plans	1,569	<b>(2,742)</b>
Share of other comprehensive income of equity-method affiliates	14	<b>(42)</b>
Total other comprehensive income	22,271	<b>(15,584)</b>
<b>Comprehensive income</b>	33,173	<b>(2,476)</b>
Components:		
Comprehensive income attributable to owners of the parent company	32,474	<b>(2,848)</b>
Comprehensive income attributable to non-controlling interests	698	<b>371</b>

## Consolidated Statements of Changes in Net Assets

For Years Ended March 31, 2015 and 2016

(Millions of yen)

Fiscal 2015	Shareholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of fiscal year	10,001	86,786	57,579	(6)	154,360
Cumulative effects of changes in accounting policies			1,532		1,532
Restated balance	10,001	86,786	59,111	(6)	155,892
Changes during the fiscal year					
Dividends from surplus			(2,367)		(2,367)
Net income attributable to owners of the parent company			10,275		10,275
Acquisition of treasury stock				(508)	(508)
Disposal of treasury stock					—
Purchase of shares of consolidated subsidiaries		(3,184)			(3,184)
Items other than changes in shareholders' equity, net					—
Net changes during the fiscal year	—	(3,184)	7,908	(508)	4,215
Balance at end of fiscal year	10,001	83,601	67,019	(514)	160,107

Fiscal 2015	Accumulated other comprehensive income					Stock acquisition rights	Minority interests	Total net assets
	Net unrealized gains on other securities	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of fiscal year	5,975	(1,967)	48	(1,964)	2,092	45	8,004	164,502
Cumulative effects of changes in accounting policies								1,532
Restated balance	5,975	(1,967)	48	(1,964)	2,092	45	8,004	166,035
Changes during the fiscal year								
Dividends from surplus								(2,367)
Net income attributable to owners of the parent company								10,275
Acquisition of treasury stock								(508)
Disposal of treasury stock								—
Purchase of shares of consolidated subsidiaries								(3,184)
Items other than changes in shareholders' equity, net	20,216	68	347	1,566	22,199	(45)	(3,615)	18,538
Net changes during the fiscal year	20,216	68	347	1,566	22,199	(45)	(3,615)	22,753
Balance at end of fiscal year	26,191	(1,898)	396	(397)	24,292	—	4,388	188,789

(Millions of yen)

Fiscal 2016	Shareholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of fiscal year	10,001	83,601	67,019	(514)	160,107
Changes during the fiscal year					
Dividends from surplus			(2,711)		(2,711)
Net income attributable to owners of the parent company			12,678		12,678
Acquisition of treasury stock				(1,610)	(1,610)
Disposal of treasury stock		0		0	0
Purchase of shares of consolidated subsidiaries		(680)			(680)
Reversal of revaluation reserve for land			499		499
Items other than changes in shareholders' equity, net					—
Net changes during the fiscal year	—	(680)	10,465	(1,610)	8,174
Balance at end of fiscal year	10,001	82,920	77,485	(2,124)	168,282

Fiscal 2016	Accumulated other comprehensive income					Minority interests	Total net assets
	Net unrealized gains on other securities	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of fiscal year	26,191	(1,898)	396	(397)	24,292	4,388	188,789
Changes during the fiscal year							
Dividends from surplus							(2,711)
Net income attributable to owners of the parent company							12,678
Acquisition of treasury stock							(1,610)
Disposal of treasury stock							0
Purchase of shares of consolidated subsidiaries							(680)
Reversal of revaluation reserve for land							499
Items other than changes in shareholders' equity, net	(12,532)	(477)	(271)	(2,744)	(16,025)	(398)	(16,424)
Net changes during the fiscal year	(12,532)	(477)	(271)	(2,744)	(16,025)	(398)	(8,249)
Balance at end of fiscal year	13,659	(2,375)	125	(3,141)	8,266	3,990	180,539

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## Consolidated Statements of Cash Flows

For Years Ended March 31, 2015 and 2016

Millions of yen

	Fiscal 2015	Fiscal 2016
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	¥ 18,184	¥ 21,817
Depreciation	12,809	11,952
Impairment loss	1,566	16,617
(Gain) loss on sale of investment securities	(293)	(18,356)
Loss on disposal of fixed assets	354	264
Amortization of goodwill	863	209
Increase (decrease) in accrued bonuses to directors and employees	388	448
Increase (decrease) in allowance for doubtful accounts	38	(19)
Increase (decrease) in net defined benefit liability	(389)	1,292
Interest and dividend income	(819)	(1,270)
Interest expenses	519	471
(Increase) decrease in notes and accounts receivable	(10,229)	(4,470)
(Increase) decrease in inventories	(148)	658
Increase (decrease) in notes and accounts payable	2,516	748
Increase (decrease) in consumption tax payable	3,466	(3,830)
Other, net	(121)	3,902
Subtotal	28,707	30,437
Interest and dividend income received	831	1,276
Interest expenses paid	(533)	(453)
Income taxes paid	(6,067)	(5,762)
Net cash provided by operating activities	22,938	25,496
<b>Cash flows from investing activities</b>		
Purchase of marketable securities	(3,400)	(400)
Proceeds from sale and redemption of marketable securities	3,425	410
Acquisitions of property and equipment	(7,482)	(4,697)
Acquisitions of intangible assets	(5,400)	(6,633)
Purchase of investment securities	(5,150)	(5,073)
Proceeds from sale and redemption of investment securities	2,423	24,504
Payment of lease and guarantee deposits	(967)	(1,001)
Collection of lease and guarantee deposits	537	659
Proceeds from transfer of business	259	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(926)	(73)
Other, net	(1,062)	992
Net cash provided by (used in) investing activities	(17,744)	8,688
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term borrowings, net	(412)	(752)
Proceeds from long-term debt	7,300	5,012
Repayments of long-term debt	(13,949)	(12,862)
Acquisition of treasury stock	(508)	(1,610)
Dividends paid	(2,367)	(2,711)
Dividends paid to minority shareholders	(351)	(202)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(7,031)	(1,324)
Other, net	(1,747)	(526)
Net cash used in financing activities	(19,067)	(14,979)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	217	(39)
<b>Net increase (decrease) in cash and cash equivalents</b>	(13,656)	19,166
<b>Cash and cash equivalents at beginning of year</b>	43,142	29,485
<b>Cash and cash equivalents at end of year</b>	29,485	48,651

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